AUG 29 1931
CHARLES ELMORE CROPLEY
CLERK

FILE COPY

Supreme Court of the United States.

October Term, 1931.

No. 332

J. HOWARD LEMAN, Administrator C.T.A. of the Estate of George E. Belcher, and GEORGE E. BELCHER COMPANY,
PETITIONERS,

v.

KRENTLER-ARNOLD HINGE LAST COMPANY,
RESPONDENT.

Petition for Writ of Certiorari to the United States Circuit Court of Appeals for the First Circuit and Brief in Support of the Same.

ELLIS SPEAR, JR.,
EDWARD N. GODING,
EIFFEL B. GALE,
Attorneys for Petitioners.

ADDISON C. GETCHELL & SON, LAW PRINTERS, BOSTON.

INDEX.

	Page
Brief in support of petition for writ of certiorari	5
Statement of the case	5
Reasons for granting the writ of certiorari	10

TABLE OF CASES CITED.

Dowagiac Mfg. Co. v. Minnesota Plow Co., 235 U.S. 641	3, 12
Gompers v. Buck Stove & Range Co., 221 U.S. 418	11
Gordon et al. v. Turco Halvah Co., Inc., 247 F.R. 487	11
Hunt v. Cassiday, 64 F.R. 585	3
McCune v. Baltimore & Ohio R.R., 154 F.R. 63	3
McKee Glass Co. et al. v. H. C. Frye Glass Co., 248 F.R. 125	10
Magnum Co. v. Coty, 262 U.S. 159	4
Matter of Christensen Engineering Co., 194 U.S. 458	8
Munroe Body Co. et al. v. Herzog, 13 F.R. 705	10
New Orleans v. Steamship, 20 Wall. 387	8
Tilghman v. Proctor, 125 U.S. 136	13
United States Frumentum Co. v. Lauhoff, 216 F.R. 610	3
Worden v. Searls, 121 U.S. 14	7, 8

TABLE OF AUTHORITIES CITED.

Judicial Code, sec. 268	2, 11
U.S. Comp. Stat. of 1916, sec. 1245	2
U.S. R.S. sec. 725	2, 11
U.S. R.S. sec. 4921	2, 7, 8, 11, 12, 13

Supreme Court of the United States.

OCTOBER TERM, 1931.

No.

J. HOWARD LEMAN, Administrator C.T.A. of the Estate of George E. Belcher, and GEORGE E. BELCHER COMPANY,

PETITIONERS,

v.

KRENTLER-ARNOLD HINGE LAST COMPANY,

RESPONDENT.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE FIRST CIRCUIT AND BRIEF IN SUPPORT OF THE SAME.

To the Honorable The Chief Justice and Associate Justices of the Supreme Court of the United States:

Your petitioners, J. Howard Leman, Administrator C.T.A. of the estate of George E. Belcher, and George E. Belcher Company, pray for a writ of certiorari for review of the final decree of the Circuit Court of Appeals for the First Circuit in the above-entitled cause.

QUESTIONS PRESENTED.

The questions which petitioners desire to present for determination relate to matters of public importance involving law and procedure in civil contempt cases which arise out of violations of permanent injunctions prohibiting further infringements of patents, on which matters there is

conflict between decisions of the Circuit Courts of Appeals for different circuits.

I. The specific question goes to the power of the Courts of the United States to award, as remedial relief in equity in civil contempt proceedings, the respondent's profits wrongfully derived from infringement continued after final decree and final injunction, this infringement constituting the contempt.

In its decision in this case the Court of Appeals for the First Circuit stated that it had failed to discover any case in which this question had been directly raised and decided by a Circuit Court of Appeals or by the Supreme Court of the United States. It recognized the right of petitioners to such profits under United States R.S. 4921, but refused to allow their award in civil contempt proceedings under Judicial Code, sec. 268; United States R.S. 725; United States Comp. Stat. of 1916, sec. 1245, as a measure of the fine therein provided and/or by way of remedial relief for use of petitioners.

A dissenting opinion pointed to the absence of any controlling authority for the prevailing opinion and the necessity of complete equitable relief to prevent possible complete failure of justice.

There is apparent conflict between this interpretation of the law and practice by the Circuit Court of Appeals for the First Circuit and the interpretation by the Circuit Court of Appeals for the Second, Third, and Sixth Circuits, in which other circuits infringer's profits have been awarded in cases involving civil contempt without directly deciding the propriety or lawfulness of this practice.

II. There is also involved in this case another question of general importance which it is in the public interest to have decided by this Court of last resort. This question is raised because of statements in the decision of the Court of Appeals for the First Circuit after rehearing, and should be determined in order to secure uniformity of decision between the Circuit Court of Appeals for the First Circuit

and the Circuit Courts of Appeals for the Third, Sixth, and Ninth Circuits.

The decision of the Court of Appeals for the First Circuit in this case after rehearing stated:

> "If the plaintiffs in this case had been able to prove that the infringing sales, out of which the profits were realized, caused them to suffer pecuniary damage, or had been able to prove what would have been a reasonable royalty for the use of their patent and *that they had lost the same through the defendant's conduct*, they could have established a case for the allowance of damages arising out of the infringing sales."

The second specific question presented herein for determination, therefore, is whether there is any need of proving "that they [the plaintiffs] had lost the same [the reasonable royalty] through the defendant's conduct" as apparently now held by the First Circuit Court of Appeals.

The Circuit Courts of Appeals for the Third, Sixth, and Ninth Circuits in the cases *McCune* v. *Baltimore & Ohio R.R.* (3d C.C.A.), 154 F.R. 63, *United States Frumentum Co.* v. *Lauhoff* (6 C.C.A.), 216 F.R. 610, and *Hunt* v. *Cassiday* (9th C.C.A.), 64 F.R. 585, 587, indicate that proof of a reasonable royalty is sufficient as a measure of plaintiff's pecuniary loss or damage, without requiring further proof "that they [the plaintiffs] had lost the same [the reasonable royalty] through the defendant's conduct" as held by the First Circuit Court of Appeals.

In *Dowagiac Mfg. Co.* v. *Minnesota Plow Co.*, 235 U.S. 641, at 648, this Court indicated that proof of reasonable royalty was admissible as a measure of plaintiff's general damages or pecuniary loss or injury, but the necessity of further proving that the plaintiff lost such reasonable royalty through the defendant's conduct was not considered or passed upon.

A petition to stay the mandate of the Court of Appeals in this case, pending the petition for certiorari, was granted by that Court. In *Magnum Co.* v. *Coty*, 262 U.S. 159, at 163, the Supreme Court stated:

> "That court is in a position to judge first whether the case is one likely under our practice to be taken up by us on certiorari . . ."

J. HOWARD LEMAN,
Administrator C.T.A. of the
Estate of George E. Belcher,
GEORGE E. BELCHER COMPANY,
By ERNEST SOUTHWORTH,
Vice-President.

We hereby certify that we have read the foregoing petition for certiorari, and that in our opinion it is well founded and presents grounds whereon the prayer ought to be granted, and we further certify that it is not intended for purposes of delay.

ELLIS SPEAR, JR.,
EDWARD N. GODING,
EIFFEL B. GALE,
Attorneys for Petitioners.

COMMONWEALTH OF MASSACHUSETTS.
COUNTY OF NORFOLK. AUGUST 19, 1931.

Then appeared the above-named Ellis Spear, Jr., Edward N. Goding, and Eiffel B. Gale, and made oath that the foregoing certificate, signed by them, is true, to the best of their knowledge, information, and belief.

Before me,
VICTORIA L. CAMERON,
Notary Public.

Supreme Court of the United States.

OCTOBER TERM, 1931.

No.

J. HOWARD LEMAN, Administrator C.T.A. of the Estate of George E. Belcher, and GEORGE E. BELCHER COMPANY,

PETITIONERS,

v.

KRENTLER-ARNOLD HINGE LAST COMPANY,

RESPONDENT.

BRIEF.

STATEMENT OF THE CASE.

Your petitioners were the defendants and successful counter-claimants in a suit under letters patent to Peterson, No. 1,195,266, for Hinged Last, reported in 300 F.R. (2d) 834, and affirmed in 13 F.R. (2d) 796.

An accounting was subsequently had in the United States District Court for the District of Massachusetts (24 F.R. (2d) 423) under which the petitioners were awarded plaintiff's profits. A final injunction duly issued against the plaintiff-respondent.

Thereafter the respondent put out a modified form of last structure. On petition for civil and criminal contempt the District Court found respondent guilty of civil contempt, but not criminal contempt, and held that the petitioners were entitled, as remedial relief upon the civil aspect of the

contempt proceedings, to an award of the further profits made by the respondent by reason of its renewed infringement which was found to be in violation of the permanent injunction. On accounting, the respondent admitted having made profits amounting to $39,576.26 by such further infringing acts held to be in violation of the permanent injunction.

On appeal the United States Circuit Court of Appeals for the First Circuit affirmed the opinion of the lower Court in finding that respondent had committed acts of infringement in violation of the permanent injunction, and that the respondent was guilty of civil contempt. It, however, reversed the District Court's allowance of profits as a measure of the fine imposed for remedial relief, holding that such profits could not be considered as a basis of any remedial award.

After sustaining the lower Court as to other matters in its original opinion of March 10, 1931, the Court of Appeals went on to say:

> "But we are of the opinion that the District Court went far afield and exceeded its authority in decreeing that the complainants recover profits made by the respondent by the infringement of the letters patent. In Gompers v. Buck Stove & Range Co., supra, and Krepfik v. Couch Patents Co., supra, at page 569, it was pointed out that the proper remedial relief for the disobedience of an injunction in an equity case is to impose a 'fine for the use of the complainant, measured in some degree by the pecuniary injury caused by acts of disobedience.' In other words, that the amount of the fine or remedial relief is to be governed largely by the pecuniary damage or injury which the act of disobedience caused the complainant. This pecuniary damage surely does not include profits which the defendant made by reason of the infringement.

"The item of profits should not have been allowed or taken into consideration in determining the remedial relief to which the complainants were entitled by way of fine or otherwise."

In view of the above reasoning of the Court the first question herein submitted may be restated as follows:

Is the pecuniary loss, injury, or damage to petitioners, in being deprived of the defendant's profits to which, under United States R.S. sec. 4921, the petitioners are by law entitled, such a pecuniary loss or damage as petitioners are entitled to by way of remedial relief and/or as a measure of the fine for the use of petitioners, in a civil contempt proceeding?

In *Worden* v. *Searls*, 121 U.S. 14, at 26, this Court referred to "orders imposing the fines" as being "to all intents and purposes *orders* in the course of the cause *based on the questions involved as to the legal rights* of the parties." (Italics ours.)

In that case an interlocutory order was made imposing a fine of $1182 for violation of a preliminary injunction in a patent suit.

The Supreme Court, in considering the elements which "made up" the fine, stated:

"It appears that the $1182 was made up of $682, the PROFITS OF THE DEFENDANTS on 62 gross of whipsockets sold, and $500, expenses of the plaintiff IN THE CONTEMPT PROCEEDINGS." (Capitals ours.)

The Supreme Court further states, in considering the nature of the fines:

"But THE FINES" were, in fact, measured by the damages the plaintiff had sustained "and the expenses

> he had incurred. They WERE INCIDENTS OF HIS CLAIMS IN THE SUIT. HIS RIGHT TO THEM WAS, IF IT EXISTED AT ALL, FOUNDED ON HIS RIGHT TO THE INJUNCTION, AND THAT WAS FOUNDED ON THE VALIDITY OF HIS PATENT." (Capitals ours.)

The Court is, in effect, stating that "the fines," in part "the profit of the defendants," . . . "were, in fact, measured by the damages the plaintiff had sustained."

In distinguishing the case from an earlier case, *New Orleans* v. *Steamship*, 20 Wall. 387, the Court stated that—

> ". . . though the proceedings were *nominally those of contempt*, they were really proceedings to award damages to the plaintiff, and to reimburse to him his expenses . . ."

The case of *Worden* v. *Searls* was later cited and quoted from with approval in an opinion by Mr. Chief Justice Fuller in the case of *Matter of Christensen Engineering Co.*, 194 U.S. 458, at 460, which was a patent case involving the question of contempt for violation of an injunction.

If petitioners are, as a matter of "legal right," under R.S. 4921, entitled to respondent's profits made from wrongful infringement, it would seem to be clear that petitioners are clearly entitled to such profits by way of remedial relief in the civil contempt proceedings. Whether or not the remedial relief is called a "fine," or any other name, is not important. The important point is that full, adequate, and complete remedial relief be granted for the wrong committed in order to do substantial justice.

Later in the present case a petition for rehearing was allowed and heard, but the Court of Appeals in a further opinion after rehearing adhered to its previous view on this

point, but with a dissenting opinion by Judge Anderson as follows:

"ANDERSON, J. (dissenting). Still asserting, on the facts in this case, no continuing jurisdiction over this Michigan corporation, I now add that (assuming jurisdiction and violation of the injunction) I can see no reason why the profits derived from the alleged violation of the injunction are not recoverable; that at least they may be taken as a guide in assessing petitioner's damages.

"Rights, under a previously obtained injunction, are at least as great as rights under a presently obtained injunction. Violation of such rights ought to have like remedy, both in nature and in extent. The patent owner, if now suing in equity for infringement, could of course recover the infringer's profits. R. S. sec. 4921, 35 U. S. C. A., sec. 70.

"But the present holding is that the persistent infringer, instead of being held, under R. S., sec. 4919, liable for punitive damages (no damages whatever being shown), shall escape all accountability for its profits, made as the result of its alleged contumacy.

"In Brown v. Lanyon, 148 Fed. 838, (C.C.A., 8th) it was held that an action at law cannot be maintained for the sole purpose of recovering an infringer's profits. Compare Walker Patents, 5th Ed., sec. 555. In Root v. Railway, 105 U. S. 189, it was held that the owner of an expired patent, could not maintain a bill in equity solely for an account of profits and damages, against an infringer during the life of the patent; that his only remedy was at law. Compare Tilghman v. Proctor, 125 U. S. 136, 148.

"The present decision apparently leaves this appellant without any remedy, either at law or in equity, to obtain its just rights.

"None of the cases cited and review in the majority opinion seems to me to support the conclusion. *The proceedings are purely remedial. I think the appellant entitled to full relief.*" (Italics ours.)

The following is quoted from the prevailing opinion of the Court:

"Since our opinion in No. 2525 was handed down on March 10, 1931, the plaintiffs, appellees, have filed a petition for rehearing and a rehearing has been had on the question whether we were right in overruling the action of the District Court in awarding to the plaintiffs in this contempt proceeding the profits which the defendant had made in the sale of its new infringing device.

"Diligent search on the part of counsel and of this court has failed to discover any case in which this question has been directly raised and decided by a Court of Appeals or by the Supreme Court."

REASONS FOR GRANTING THE WRIT OF CERTIORARI.

The matters sought to be reviewed involve:

(1) Important principles of patent law and practice of far-reaching effect which apparently have never before been directly decided by a Circuit Court of Appeals or the Supreme Court of the United States.

(2) A determination and pronouncement of the true law and practice as to the fine or remedial relief in cases of civil contempt.

The First Circuit Court of Appeals apparently is in conflict with the heretofore unquestioned practice followed by—

the Third Circuit Court of Appeals in *McKee Glass Co. et al.* v. *H. C. Frye Glass Co.*, 248 F.R. 125;

the Sixth Circuit Court of Appeals, *Munroe Body Co. et al.* v. *Herzog*, 13 F.R. (2d) 705; and—

the Second Circuit Court of Appeals, *Gordon et al.* v. *Turco Halvah Co., Inc.*, 247 F.R. 487. Cited by the Supreme Court in *Union Tool Co.* v. *Wilson*, 259 U.S. 107, at 112, where the Court stated:

> ". . . ; but the order to be entered is not exclusively or necessarily a discretionary one. See *Christensen* v. *Westinghouse*, 135 F.R. 774; *Gordon* v. *Turco Halvah*, 247 F.R. 487. Moreover legal discretion in such a case does not extend to a refusal to apply well settled principles of law to a conceded state of facts. See *Winchester Repeating Arms Co.* v. *Olmsted*, 203 F.R. 493, 494; *In re Sobol*, 242 F.R. 487, 489."

The "conceded state of facts" in this case are, first that the respondent made $39,576.26 as profits, and second that, under R.S. 4921, petitioners are entitled to such profits.

These Circuit Courts of Appeal in the cases referred to followed the practice of *allowing the profits* of the respondent to be paid to the petitioner in civil contempt proceedings as a measure of the fine and/or by way of remedial relief, but the question or issue as to the propriety of allowing such profits was not directly raised and decided in any of the three cases above cited.

(3) The question of whether the provisions of Judicial Code, sec. 268; United States R.S. sec. 725, for "Power to administer oaths and punish contempt," preclude the allowance, as a measure of the fine and/or by way of remedial relief in civil contempt, of respondent's profits found by the District Court and by the Court of Appeals to have been wrongfully realized from the infringing acts constituting the contempt, where, under R.S. sec. 4921, the legal rights of petitioners are such as to entitle them to those profits.

(4) An interpretation of the decision of the United States Supreme Court in *Gompers* v. *Buck Stove & Range Co.*, 221 U.S. 418, as to its phases of applicability to contempt in

cases of the violation of injunctions in restraint of patent infringement, and specifically whether the statement of the Supreme Court in that case that—

> "the only possible remedial relief for such disobedience would have been to impose a fine for the use of complainant measured in some degree by the pecuniary injury caused by the act of disobedience"—

precludes a Court in a civil contempt proceeding in a patent case from awarding the profits, made by the respondent from the wrongful acts of infringement committed in violation of the injunction and held to be in civil contempt of Court, as a measure of the fine to be paid to the petitioner and/or by way of remedial relief, particularly in view of the legal rights of petitioners under R.S. sec. 4921, under which section a complainant in an infringement suit, after a decree finding infringement, is as a matter of legal right "entitled to recover, in addition to the profits to be accounted for by defendant, the damages the complainant has sustained . . ."

(5) An interpretation of the decision of the Supreme Court in *Dowagiac Mfg. Co.* v. *Minnesota Plow Co.*, 235 U.S. 641, as to the extent of the proof necessary to secure an award of damages under the reasonable royalty rule.

It is submitted that the questions involved go to the very roots of proceedings in civil contempt in patent cases, and that there is urgent need for a definite pronouncement by this Court to avoid further confusion among the circuits, to relieve industries developed under the patent laws from embarrassment and confusion, and to uphold the dignity of the Courts and respect for the injunctions and orders of the Courts by making it unprofitable and unpopular to violate such injunctions and orders.

If the rights of a party for recovery are lessened in proceedings in which the aspect of contempt is called to the attention of the Court, there will result a lessened oppor-

tunity for Courts to deal with contempts of their own authority in the maintenance of their dignity.

The guarantees under the patent statutes of the legal rights of patentees are matters of public policy and great public importance, and particularly the legal rights of patentees under R.S. sec. 4921, are of the greatest practical importance in sustaining those guarantees, whether in an original infringement suit or by way of remedial relief in civil contempt after final decree.

Contempt proceedings for violations of injunctions in patent cases are appropriate and to be encouraged. Such injunctions follow long and exhaustive litigation in most instances. Contempt proceedings on a basis established for the several circuits by this Court would deter reckless disregard for injunctions and expedite justice where there is continued or renewed infringement.

The decision of the Court of Appeals for the First Circuit denying the award of respondent's profits as remedial relief, heretofore granted in other circuits, negatives what was an apparently recognized and accepted basis of remedial relief. It is a curtailment of the principles of equity in affording full relief and a plain departure from recognized principles which can only lead to further confusion unless and until determined by this Court. It is a fundamental principle of equity that where it takes jurisdiction, it will grant full, adequate, and complete relief and not leave the complaining party to the necessity of another independent action involving a duplication of effort and expense.

In patent cases a patentee may recover an infringer's "profits" because such profits do not belong to the infringer, but are regarded as in effect funds misappropriated by the wrongful use of the invention. The restoration of such profits to the real owner is in reality granting him a remedy for the injury or damage he has suffered through the misuse of his invention by the infringer. *Tilghman* v. *Proctor*, 125 U.S. 136, at 144. There is no reason to draw any dis-

tinction, in civil contempt proceedings, between such profits and the possibly more direct losses which the Circuit Court of Appeals conceived of as "damages." This view is obviously sound and manifestly just in a case like the present, where the Circuit Court of Appeals admits that the petitioner is entitled to the profits in question, where it approves granting partial relief for what it calls damages, and where the disallowance of the lower Court's decree for profits will result in duplication of expense and litigation.

There is a very real and urgent reason why the Court of Equity should allow the profits as remedial relief, in this case, so as to make the relief full, adequate, and complete. The petitioner in this contempt proceeding was originally a defendant counter-claimant. The respondent, a Michigan corporation, original plaintiff, voluntarily submitted itself to the jurisdiction of this Court of Equity by filing its bill. If the petitioner is not granted full, adequate, and complete relief in this proceeding, it may be necessary to resort to a new or independent proceeding in a different jurisdiction. Such a duplication of effort and expense should not be necessary where the Court now has jurisdiction of the parties and of the subject-matter.

The questions of law involved herein are definite and direct, and applicable to a wide and important field of litigation. In the absence of any right of appeal to this Court the inferior Courts, as well as litigants, are peculiarly dependent on an authoritative pronouncement to settle the important questions presented.

Respectfully,

ELLIS SPEAR, JR.,
EDWARD N. GODING,
EIFFEL B. GALE,
Attorneys for Petitioners.